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TAGS: [PREL](#) [PGOV](#) [BK](#) [RS](#)
SUBJECT: PUTIN'S EU SPECIAL ADVISOR ON EU-RUSSIA SUMMIT,
POLAND, FRANCE

Classified By: Charge d'Affaires Daniel A. Russell FOR REASONS
1.4 (B,D).

11. (C) Summary: In a November 1 meeting with the Ambassador, Putin's EU Special Advisor Sergey Yastrzhembskiy characterized the Mafra EU-Russia Summit in generally positive terms. Yastrzhembskiy argued that the summit was a step forward and that EU-Russia relations are "evolving," citing the two documents on steel trade and joint counter-narcotics measures, agreement to establish an energy early warning system, the investment dialogue, and the Russian-proposed human rights center in Europe. However, Yastrzhembskiy remained concerned that the West's recognition of Kosovo's unilateral independence would unleash a "chain reaction" in Georgia and many countries in Europe. On WTO, Yastrzhembskiy said that Putin for the first time warned EU leaders that Russia would repeal its bilateral commitments already in force if the EU failed to set a deadline soon for an agreement. The MFA added that there was also disagreement on the EU's proposed energy unbundling requirements. Yastrzhembskiy positively assessed Russia's relationship with France, and expected that the recent improvement in Russian-Polish relations would eventually lead to the signing of a PCA with the EU. End Summary.

Positive Aspects of EU-Russia Summit

12. (C) In a November 1 meeting with the Ambassador, Putin's Special Advisor for EU Relations Sergey Yastrzhembskiy described the EU-Russia Summit in Mafra as a "step forward" in the relationship. Although the previous EU-Russia Summit had been widely viewed as fruitless, he argued that the discussions in Samara had served as a basis for the "concrete results and actions" achieved in Mafra. Aside from the two documents on steel trade and joint counter-narcotics measures, Yastrzhembskiy provided as evidence of the "evolutionary nature" of Russia-EU relations several areas of agreement:

-- Early Warning Notification: Yastrzhembskiy said the EU seemed particularly pleased with the agreement to establish an early warning system on energy issues. He explained that the agreement comprised two parts: 1) the joint development of methods to minimize and prevent problems in energy supply and transit and 2) the joint development of "quick-response" procedures to handle emergency situations.

-- Border Cooperation: Yastrzhembskiy said Putin made it clear that Russia wanted to move away from a "donor-recipient" relationship with TACIS and move towards genuine partnership and co-financing. Yastrzhembskiy said the EU was pleased to hear from Russia that it would be willing to contribute one-third of the 325 million Euros for the seven border-related projects that would run from 2008-2013.

-- Investment Dialogue: Yastrzhembskiy said Russia supported the German Chancellor's investment dialogue initiative, but stressed that the EU should not be concerned about Russian legislation on foreign investment. Russia understands "perfectly well" how important foreign investment is for Russian economic growth, and pointed to foreign investors' 49% stake in the Shtokman gas field project.

-- Human Rights Center: Yastrzhembskiy described Russia's proposal to establish in a European capital a Russian organization that monitors human rights in Europe as a "very good idea," noting that it would be strange for EU countries to object to such an initiative. He said that Putin clarified for the EU leaders that Russia was not seeking EU participation or approval of this project; Russia would finance and operate this center. Yastrzhembskiy told the Ambassador that the center, which would be "truly non-governmental and non-commercial in nature," would most likely be set up in Paris, given relatively relaxed French laws regarding NGOs. He noted that the human rights center is a work in progress, and the GOR will provide more information "when decisions are made." (The MFA separately told us the GOR planned to invest more than one million Euros in the center.)

Russia Unsatisfied with WTO Negotiations

13. (C) In response to the Ambassador's question on discussions on WTO, Yastrzhembskiy said that Putin made clear to EU leaders that the GOR was unsatisfied with the process. Putin accused the EU of constantly moving the goal posts for what Russia needed to do to satisfy EU concerns. Yastrzhembskiy said that Putin warned the EU leaders for the first time that the EU must identify a deadline for the

completion of a bilateral agreement, or Russia would be forced to "step away" from bilateral obligations and commitments that it has already assumed as an aspiring WTO member.

14. (C) Putin recalled for the EU leaders his conversation with former President Clinton in his last days in office. Clinton advised Putin not to make the mistake of thinking that the next U.S. president would be more flexible in his approach to Russia. Similarly, Putin cautioned the EU leaders not to mistakenly assume that Putin's successor would be more flexible on WTO. Yastrzhembskiy said Putin urged the EU to take advantage of Putin's remaining time in office to reach an agreement on WTO, noting that as an outgoing president he was in a much better position to withstand domestic criticism on accession. Yastrzhembskiy assured the Ambassador that Russia was ready and willing to tackle the two remaining issues for the EU -- railroad and timber tariffs -- if the EU provided clarity on the "endgame."

EU Energy Unbundling Requirements Will Only Hurt the EU

15. (C) MFA European Cooperation Department Unit Head Dmitriy Polanskiy separately told us Putin warned EU leaders that, if proposed energy unbundling requirements are put into effect, the result would be a sharp (up to 3 times) increase in the price of fuel for European consumers, due to the cost of restructuring Russian energy companies. Polanskiy told us that Putin said that now, Russia is dealing with six or seven major companies, but if the legislation is adopted, they may have to deal with thirty or more. The cost would be passed directly to European countries, who "shouldn't blame Russia" for price increases. According to European diplomats, Putin noted a "general protectionist" trend in the EU towards Russia, and said Russia would have to treat EU countries in the same way. Polanskiy said that the GOR will not elaborate on possible retaliatory measures until the draft package is adopted.

Kosovo's Independence: A Lose-Lose Scenario for Everybody

16. (C) Yastrzhembskiy said there was general satisfaction with the work of the Troika, but noted that there was still little hope for success. Yastrzhembskiy repeated Russia's familiar position that Kosovo's unilateral declaration of independence (UDI) would set off a "domino effect" and unleash a "chain reaction" in separatist regions around the world, starting off with Abkhazia and South Ossetia. He stressed that there is little unity in the EU on Kosovo, given that separatists in Spain, Scotland, Northern Cyprus, and in the Balkan countries of Macedonia, Montenegro, and Bosnia and Herzegovina are also closely following developments in Kosovo and view Kosovo as "an important signal." Yastrzhembskiy added that Kosovo's UDI would put Russia in a "terribly difficult" position. He told the Ambassador that Putin would face tremendous domestic pressure, especially in light of the Russian electoral season, to recognize Abkhazia and South Ossetia. However, such a move could stir up separatist tendencies in the Caucasus. Yastrzhembskiy stressed that Kosovo's UDI would only lead to a "lose-lose scenario for everybody."

Relations with Poland on the Upswing

17. (C) Yastrzhembskiy said there was no discussion of the PCA during the summit, but confirmed that on its eve, Poland formally invited Russia to inspect Polish meat products. Yastrzhembskiy expected the Russian inspectors to begin their inspections in the second half of November. Pointing out that PM-designate Donald Tusk's first foreign trips will be Washington, Brussels, and Moscow, Yastrzhembskiy said that Russia is expecting an improvement in bilateral relations with Poland, which will likely lead to the removal of Poland's veto on the signing of a PCA.

Relations with France Still Strong

18. (C) In response to the Ambassador's question, Yastrzhembskiy said he has not observed a worsening in bilateral relations with France since President Sarkozy took office. Yastrzhembskiy conceded that Sarkozy is no Chirac, but insisted that Sarkozy still wants to maintain close relations with Russia. He noted that Putin and Sarkozy have already met on two occasions, and PM Zubkov will soon be traveling to Paris to continue discussions on the joint aerospace, digital TV, and Shtokman projects.

Russell